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THE TORONTO IRON WORKS, LIMITED

59th Annual Report
for the fiscal year 1965

See 9/8

HIGHLIGHTS

	1965	1964
Consolidated Net Profit	\$ 769,330	\$ 340,452
Shares Outstanding		
Class "A"	94,750	94,750
Common	38,600	38,600
Profit Per Share	5.77	2.55
Working Capital	4,152,622	3,546,440
Earnings Retained in Business	5,375,784	4,709,100

DIRECTORS

J. B. Clements, Q.C.
Benton Dixon
Leonard Eisen, C.A.
G. E. Ellsworth
E. A. Goodman, Q.C.
Morris Seigel
Irving Wortsman
Murray Wortsman

OFFICERS

G. E. Ellsworth
President
Benton Dixon
Executive Vice-President
Leonard Eisen, C.A.
Vice-President — Finance
William Petrie, C.A.
Treasurer and Comptroller
Murray Wortsman
Secretary
D. M. Cameron
Vice-President
General Manager — Central Bridge Division
D. K. Geburt
Vice-President
General Manager — Stran Steel Division

WHOLLY-OWNED SUBSIDIARY

Driam Pipe (Canada) Limited
William Grisdale — *General Manager*

TRANSFER AGENT AND REGISTRAR

Eastern and Chartered Trust Company,
Toronto

AUDITORS

Clarkson, Gordon & Co.
Toronto

HEAD OFFICE

629 Eastern Avenue,
Toronto 8, Ontario

DIRECTOR'S REPORT



G. E. ELLSWORTH

TO THE SHAREHOLDERS:

On behalf of your Board of Directors I am pleased to report that the fiscal year 1965 was one of tremendous progress; a year in which the Company experienced impressive growth.

CONSOLIDATED PROFITS

Consolidated Net Profits for 1965 were \$769,330, an increase of 126⁰/₁₀₀ over the previous fiscal year, in which Consolidated Net Profits were \$340,452.

This represents earnings per share of \$5.77 on 133,350 outstanding shares of all classes as compared to \$2.55 earned per share in the previous fiscal year.

This considerable increase in earnings was realized despite the provision in 1965 of \$333,000 for income taxes. The extent of the Company's earnings performance becomes even more impressive when it is noted that no income taxes were deducted in the previous fiscal year.

DIVIDENDS

Dividends declared during the year amounted to \$102,646. Of this amount \$85,276 represents 60 cents per share to the Class "A" Shareholders plus 30 cents per share to these Shareholders for arrears of dividends. The balance of \$17,370 represents a 45 cents per share declared dividend payable to the holders of Common Stock. Of these amounts 15 cents per share was payable to Shareholders in January 1966.

CONSOLIDATED BALANCE SHEET

"Working Assets" — receivables and inventories — were 80⁰/₁₀₀ of total assets compared to 73⁰/₁₀₀ in the previous year. Total assets as at December 31, 1965 were \$9,675,758 — an increase of \$2,878,422 over the previous year when assets at December 31, 1964 were \$6,797,336.

This was partially the result of the increase in accounts receivable of \$888,542 and a net inventory increase of \$1,873,621.

The increase in accounts receivable and inventory is the direct result of stepped up business activity on the part of your Company.

WORKING CAPITAL

The Company is continuing to finance its operations through its working capital and bank accommodations. Working capital at December 31, 1965 was \$4,152,622 an increase of \$606,182 over 1964 when working capital at December 31, was \$3,546,440. Total funds provided from operations amounted to \$1,101,056 as compared to \$508,360 in 1964.

The healthy increase in working capital resulted from improved efficiency of operations and increased depreciation charges on fixed assets.

YEAR IN REVIEW

During 1965 all divisions of your Company enjoyed greatly increased sales. This was the result of a buoyant economy with many industries seeking a greater share of the market by adding to their plant facilities, and because of a carefully planned expansion program undertaken by your management to keep abreast of this new volume of business.

Capital expenditures of \$510,797 were made in 1965 and your Company plans to expend further sums of which \$1,800,000 has been committed.

A milestone in the 59-year history of The Toronto Iron Works, Limited was reached in December when an offer to purchase all of the Common (Voting) Shares was made by Wimco Industries (Eastern) Limited. This purchase, subsequently effected on January 10, 1966, gave Wimco Industries corporate control of your Company. It is the opinion of your Board of Directors that the new group will contribute materially to the strength and growth of The Toronto Iron Works, Limited.

Wimco Industries (Eastern) Limited is a Canadian holding company which also owns Wimco Steel Sales Company Limited, a widely known and respected Canadian firm prominent in the steel service centre industry. Wimco Industries also is a partner in Continuous Colour Coat Limited a Canadian company which operates the largest and fastest metals pre-finishing line of its type in the world.

OUTLOOK

It is with considerable pleasure and pride that I report that contracts in process and pending completion within 1966 greatly exceed our 1965 total volume. It is confidently anticipated that consolidated gross sales for 1966 will approximately double those of the previous year.

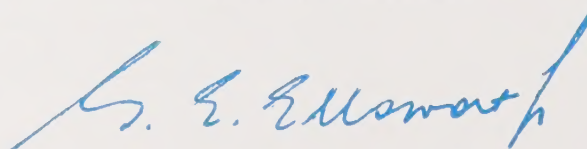
The ratio of profits therefore should be equal to, or better than, that of 1965.

APPRECIATION

On January 6, 1966 Messrs. J. M. Macintosh, K. W. Peacock, Maynard A. Metcalf, W. F. Holding and L. J. McGowan retired as Directors of the Company. We wish to record our deep appreciation and thanks to them for their loyal service and valued counsel to the Company during their tenure of office.

The Board of Directors joins me in offering sincere thanks to our employees for their continued loyalty and excellent service during the past year.

On behalf of the Board



Toronto
March 11, 1966

G. E. ELLSWORTH
President

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1965

(with comparative figures for 1964)

	1965	1964
Operating profit for the year before the following deductions	\$1,346,674	\$ 502,881
Depreciation	\$239,344	
Directors' fees	5,000	
	244,344	162,429
Profit before income taxes	1,102,330	340,452
Income taxes (note 3)	333,000	—
Consolidated net profit for the year	769,330	340,452
Add retained earnings, beginning of year	4,709,100	4,453,923
	5,478,430	4,794,375
Less dividends declared (note 2)	102,646	85,275
Retained earnings, end of year	\$5,375,784	\$4,709,100

THE TORONTO IRON

and its subsidiaries

(Incorporated under the laws of the Province of Ontario)

CONSOLIDATED

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 1965

(with comparative figures for 1964)

ASSETS		1965	1964
CURRENT			
Cash		\$ 1,850	\$ 125,003
Accounts receivable, less allowance for doubtful accounts		3,466,070	2,577,528
Inventories, at lower of cost or market			
Contracts in process (less advance billings —			
1965 — \$904,990 — 1964 — \$517,186)	1,387,827		571,547
Raw material	2,838,681	4,226,508	1,781,340
Prepaid expenses		19,499	28,898
		<u>7,713,927</u>	<u>5,084,316</u>
INVESTMENT IN SHARES OF AFFILIATED COMPANY (note 1)		222,000	222,000
FIXED			
Land, buildings and equipment at cost	5,213,622		4,707,083
Less accumulated depreciation	3,473,791		3,238,705
		1,739,831	1,468,378
OTHER ASSETS		—	22,642
		<u>\$9,675,758</u>	<u>\$6,797,336</u>

On behalf of the Board:

G. E. ELLSWORTH, Director

MURRAY WORTSMAN, Director

(See accompanying notes to financial statements)

WORKS, LIMITED

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e laws of Ontario)

ALANCE SHEET

31, 1965

at December 31, 1964)

LIABILITIES		1965	1964
CURRENT			
Bank indebtedness		\$1,199,933	\$ 132,000
Accounts payable and accrued charges		1,951,571	897,987
Income and other taxes payable		389,798	188,535
Dividends payable		20,003	14,212
Advance payments on contracts		—	305,142
		3,561,305	1,537,876
ADVANCE from affiliated company		239,983	180,500
DEFERRED INCOME TAXES of the subsidiary company		69,740	—
MINORITY INTEREST in subsidiary company		216,771	157,685
CAPITAL AND RETAINED EARNINGS (note 2)			
Capital			
Authorized:			
161,400 Class "A" shares of no par value			
38,600 common shares of no par value			
Issued:			
94,750 Class "A" shares }	212,175		212,175
38,600 common shares }			
Retained Earnings	5,375,784		4,709,100
		5,587,959	4,921,275
		\$9,675,758	\$6,797,336

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CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS**FOR THE YEAR ENDED DECEMBER 31, 1965**

(with comparative figures for 1964)

	1965	1964
SOURCES OF FUNDS		
Net profit for year	\$ 769,330	\$ 340,452
Charges not requiring cash outlays:		
depreciation	239,344	157,429
reduction in other assets	22,642	10,479
deferred income taxes	69,740	—
Increase in minority interest in subsidiary including payments on call on shares and portion of profit of subsidiary for the year applicable to minority interest	59,086	60,559
Additional amount borrowed from affiliated company	59,483	77,410
	<u>1,219,625</u>	<u>646,329</u>
DISPOSITION OF FUNDS		
Expenditures on fixed assets	510,797	195,454
Dividends declared	102,646	85,275
	<u>613,443</u>	<u>280,729</u>
Increase in working capital	606,182	365,600
Working capital, beginning of year	3,546,440	3,180,840
Working capital, end of year	<u>\$4,152,622</u>	<u>\$3,546,440</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1965

1. INVESTMENT IN SHARES OF AFFILIATED COMPANY

(T.I.W. Western Limited, shares at cost less amounts written off)

The investment in shares of the affiliate is carried on the books of the company at approximate equity in net book value of the underlying assets.

2. CAPITAL AND RETAINED EARNINGS

The Class "A" shares provide for cumulative preferential dividends at the rate of 60¢ per share per annum (payable quarterly) and participation equally with common shares in any further dividends after 60¢ is paid on common shares in any one year.

Dividend arrears on Class "A" shares, which amounted to \$28,425 at January 2, 1965 were paid in full during 1965.

In each of the years 1964 and 1965, dividends of 60¢ per share plus 30¢ payment of arrears were declared on the Class "A" shares. During 1965 dividends of 45¢ per share were declared on the common shares (nil in 1964).

3. INCOME TAXES

Capital cost allowances available for tax purposes exceed the net book value of depreciable fixed assets. \$319,190 of the excess was offset against taxable income in 1964, thereby eliminating income taxes of \$166,000 otherwise payable. In 1965, income taxes were similarly reduced by \$125,500 by applying a further \$241,000 of the excess. The excess capital cost allowances available for future tax purposes amounted to \$609,760 at December 31, 1965.

4. TRANSACTIONS SUBSEQUENT TO YEAR END

As part of an expansion programme the company has authorized capital expenditures of \$1,800,000.

The company acquired the minority interest in its consolidated subsidiary at approximately the book value of that interest as at December 31, 1965.

AUDITORS' REPORT

To the Shareholders of The Toronto Iron Works, Limited

We have examined the consolidated balance sheet of The Toronto Iron Works, Limited and its subsidiary company as at December 31, 1965 and the consolidated statements of income and retained earnings and source and disposition of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings and source and disposition of funds present fairly the financial position of the companies as at December 31, 1965 and the results of their operations and source and disposition of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

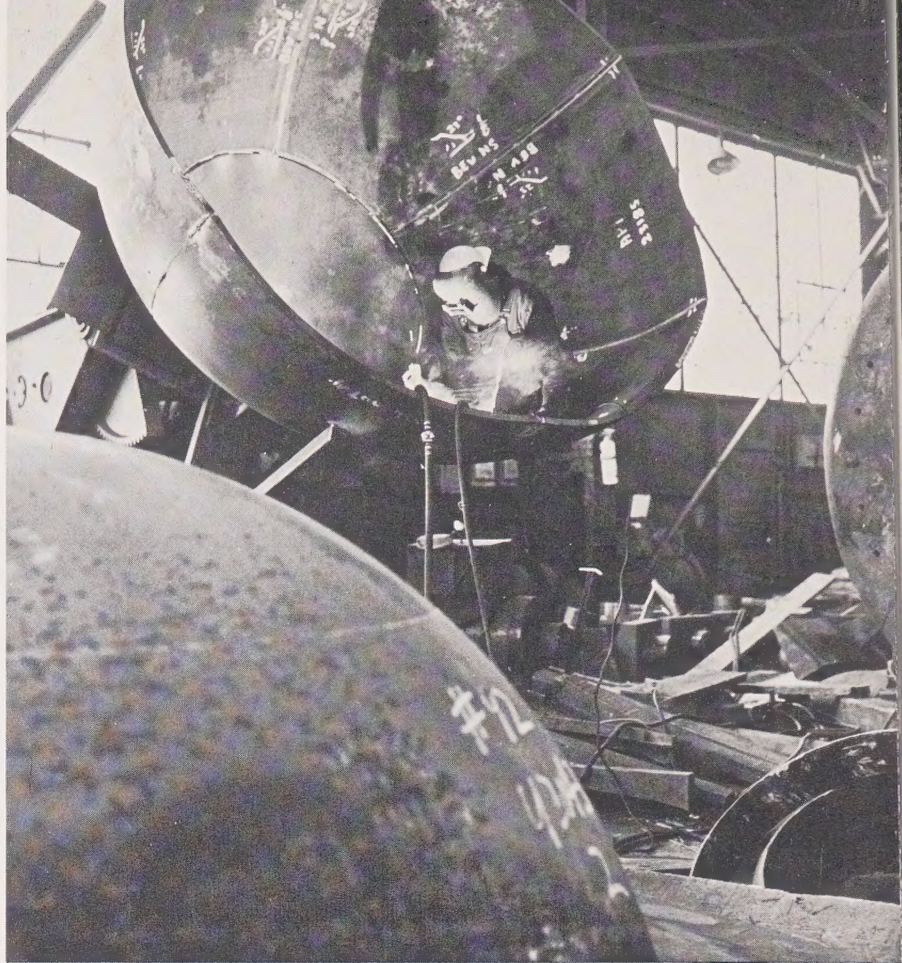
Toronto, Canada,

March 9, 1966.

CLARKSON, GORDON & CO.
Chartered Accountants

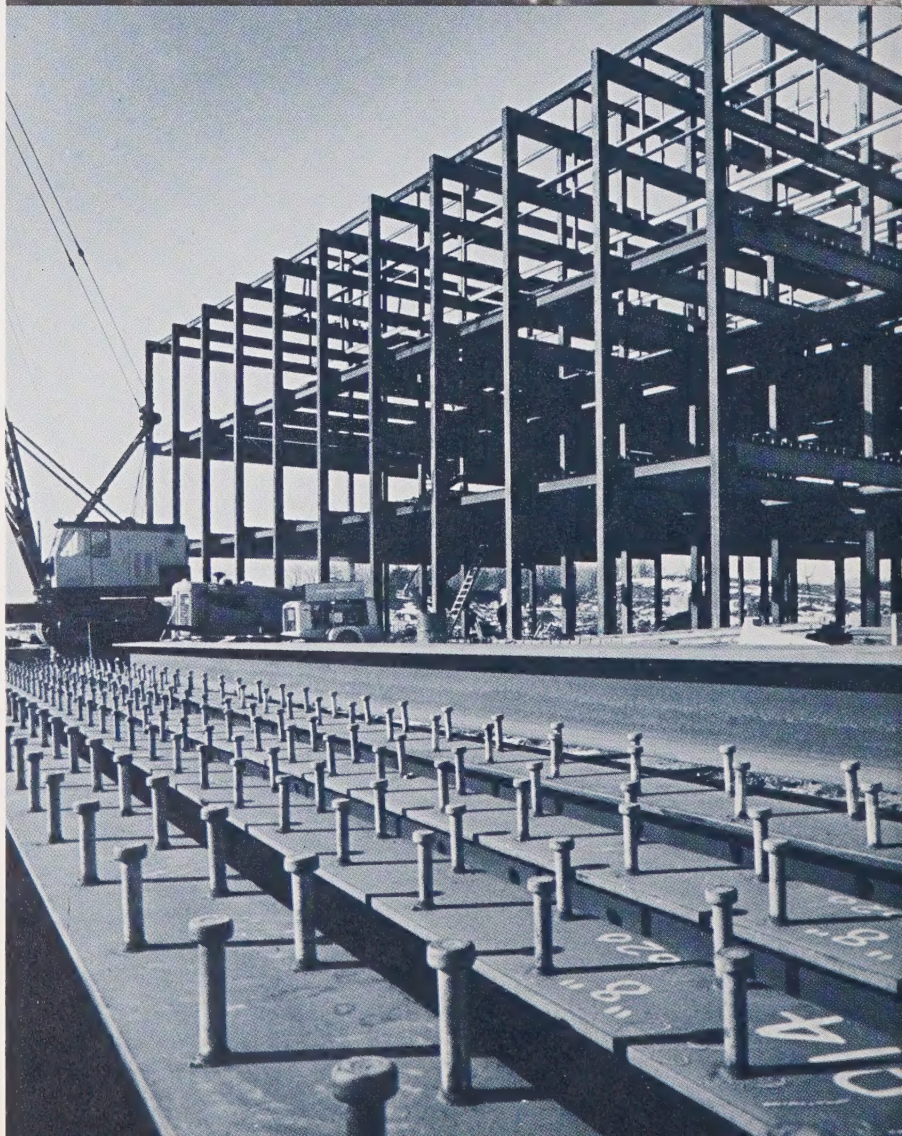
PLATE FABRICATION

The Plate Fabrication Division specializes in fabricated steel plate products and serves the needs of such branches of industry as Petroleum, Chemical, Iron and Steel, Mining and Pulp and Paper. For example, at right, a welder, crouched inside the end section of an oxygen storage tank, puts the finishing touches to the steel cap which fits onto a 90 ft. long tank with a 9 ft. diameter. The tank was custom-built for use in iron and steel smelting processes. In addition, Plate Fabrication has kept pace with the development of special steels and alloys. It fabricates tanks, pressure vessels and other equipment from stainless steel, monel, nickel, alloy-clad steels and aluminum. Where an order is too large to be plant-built, materials are prefabricated and erected on location by skilled field teams.



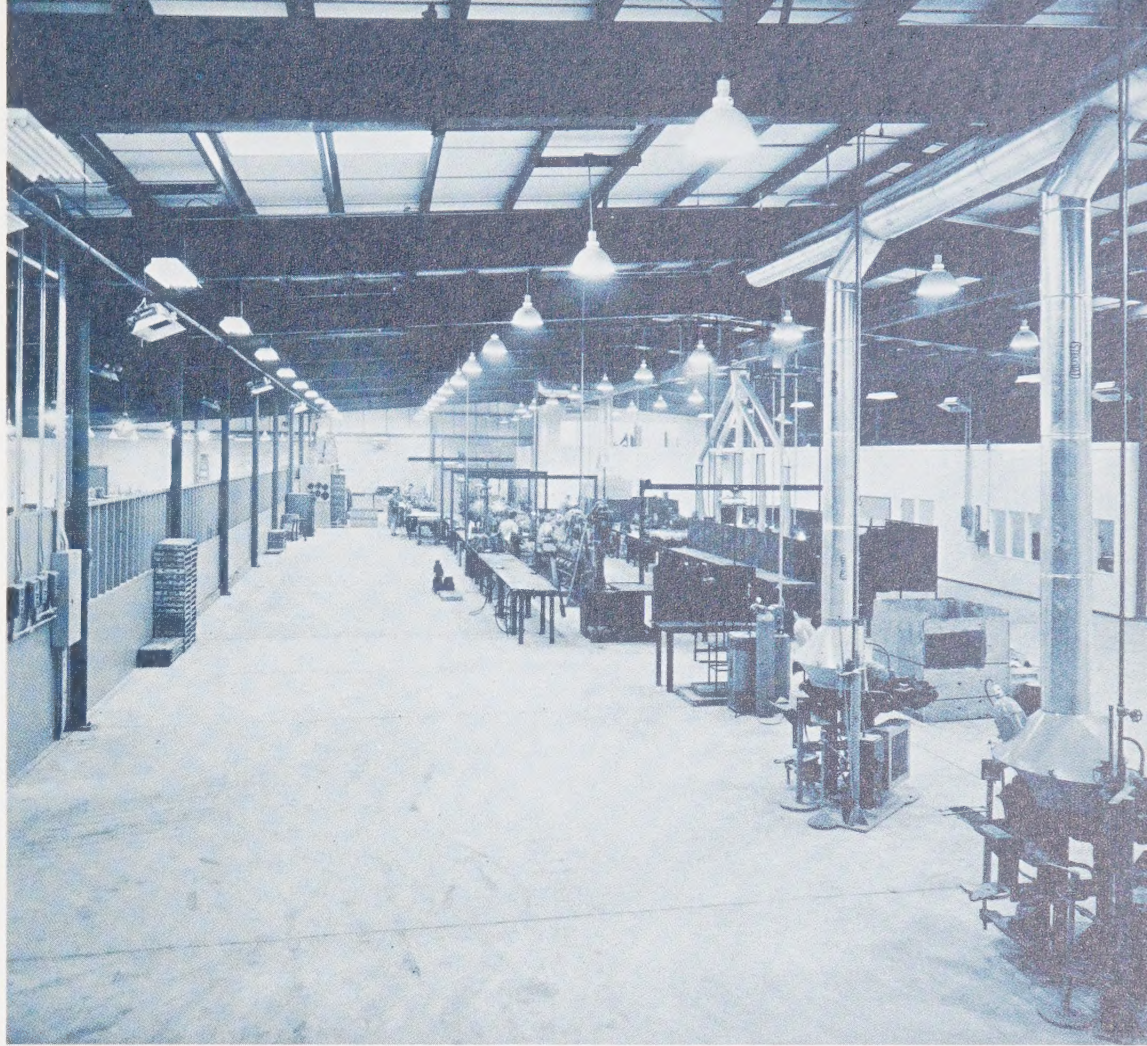
CENTRAL BRIDGE

The Central Bridge Division specializes in top-quality structural steel fabrication and erection of steel bridges, towers and conveyers — custom-made to any customer specification. The division prides itself on its adaptability and speed of delivery. A fine example is the \$400,000 Sheridan Park headquarters of the Ontario Research Foundation (pictured right). Erection of the impressive 1,000-ton steel superstructure took only two months to complete. Among the many prestige and highly technical projects presently being fabricated and erected by Central Bridge are the exciting \$6 million Ontario Government Pavilion for Expo 67 and a \$3.25 million pelletizing plant for the Carol Pellet Co. at Carol Lake, Labrador.



STRAN STEEL

The Stran Steel Division manufactures a wide range of versatile, low-cost, pre-engineered steel buildings, which are sold across Canada by franchised dealers. A typical example of a Stran Steel pre-engineered building is the manufacturing plant of Alberta Rockbit Ltd., shown here. The division specializes in clear-span buildings, readily adjustable for any architectural styles, and is able to guarantee close to 100% usable interior space. In this instance however, designs were adapted to provide custom-ordered column spacings to divide manufacturing and storage areas. A feature of Stran Steel buildings is the flexibility of the structure which can be used in conjunction with conventional materials to provide elegant and attractive exteriors.



DRIAM PIPE

Driam Pipe (Canada) Limited, a wholly-owned subsidiary of Toronto Iron Works, is one of the country's leading producers of spiral-welded steel pipe. Widely used in pipeline and pile-driving operations, the company's spiral-welded pipe offers superior strength and is rounder and straighter than conventional pipe. A good example is the length of spiral-welded pipe in the picture (right). Driam's spiral-welding machines provide a wide variety of diameters, wall thicknesses and lengths, custom-produced to meet customers exact requirements. Hydrostatic, ultrasonic and X-ray testing facilities are used to meet required specifications. Driam is installing a new machine to produce Canada's first 80-inch diameter spiral-welded pipe.



THE TORONTO IRON WORKS, LIMITED
629 EASTERN AVENUE, TORONTO, CANADA